

UNITED STATES DEPARTMENT OF AGRICULTURE
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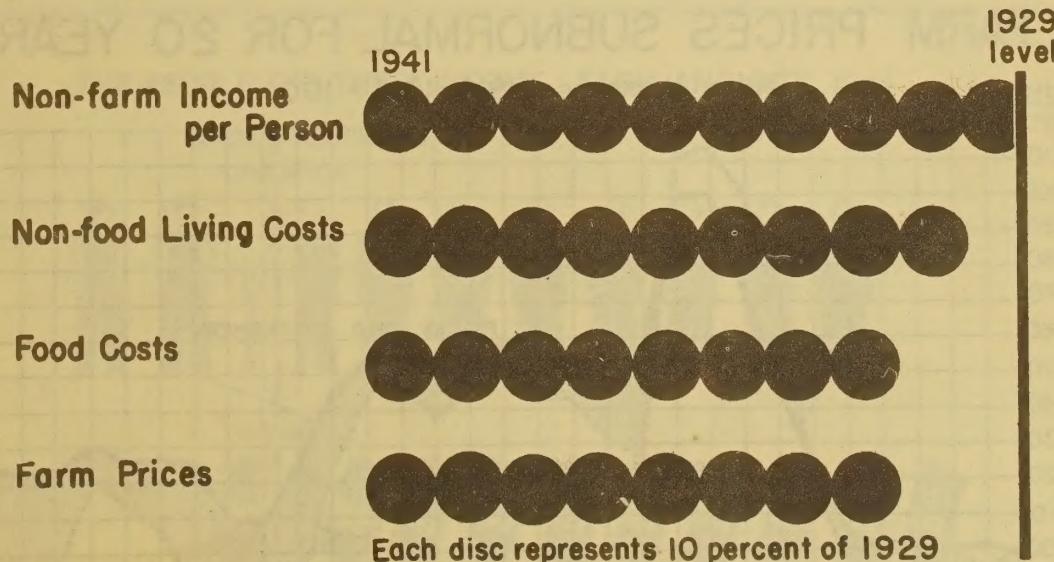
Farm Prices and Food Costs

Consumers naturally want their food costs to be reasonable, just as farmers want their prices to be fair. The following information shows current food costs and farm prices in relation to the past and in relation to other factors in the national economy:

Food is still a good buy.—On the average, food costs in 1941 were about one-fifth lower than in 1929, while other living costs were about one-tenth below the 1929 level. Consumers paid about 2 billion dollars less for food in 1941 than they would have paid if food prices had been as high as other prices, in relation to 1929.

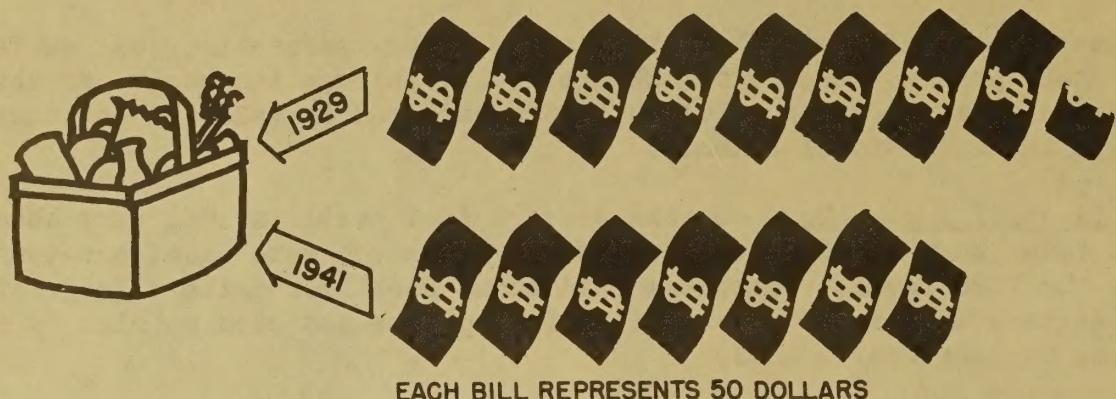
People have more money to buy food.—The national income in 1941 was the largest in our history, rising even above 1929—a year of comparable prosperity. The average city person earned about as much as in 1929 but paid a fifth less for his food. He earned enough to buy a fourth more food than in 1929. In fact, his food buying power in 1941 was the highest on record.

FOOD COSTS BELOW CITY INCOME



Workingman's grocery bill lower.—The average workingman spent \$415 for food in 1929, but at 1941 prices the same basket of food cost only \$342 for the year. Thus the workingman could save \$73 because food prices in 1941 were a fifth less than in 1929. Farmers received slightly less than half of what the workingman spent for food both in 1929 and in 1941.

WORKINGMAN'S FOOD BASKET COSTS LESS

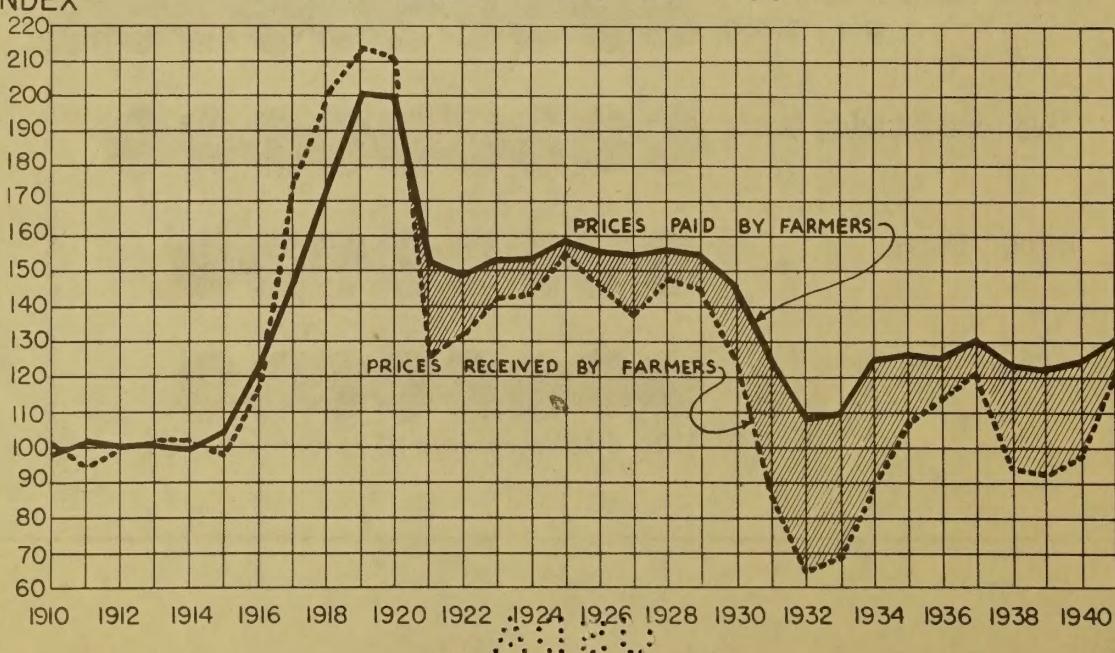


Farm prices--a broader view.--Farm prices are now close to parity, after being subnormal for the last 20 years. By supplying food and fiber at below-parity prices, farmers have saved consumers more than a billion dollars per year. It is true that farm prices rose rapidly in 1941, but the advance started from a low point. In 1941 farm prices averaged 18 percent less than during the 1920's and 30 percent less than in 1917, the year of our entry into the First World War.

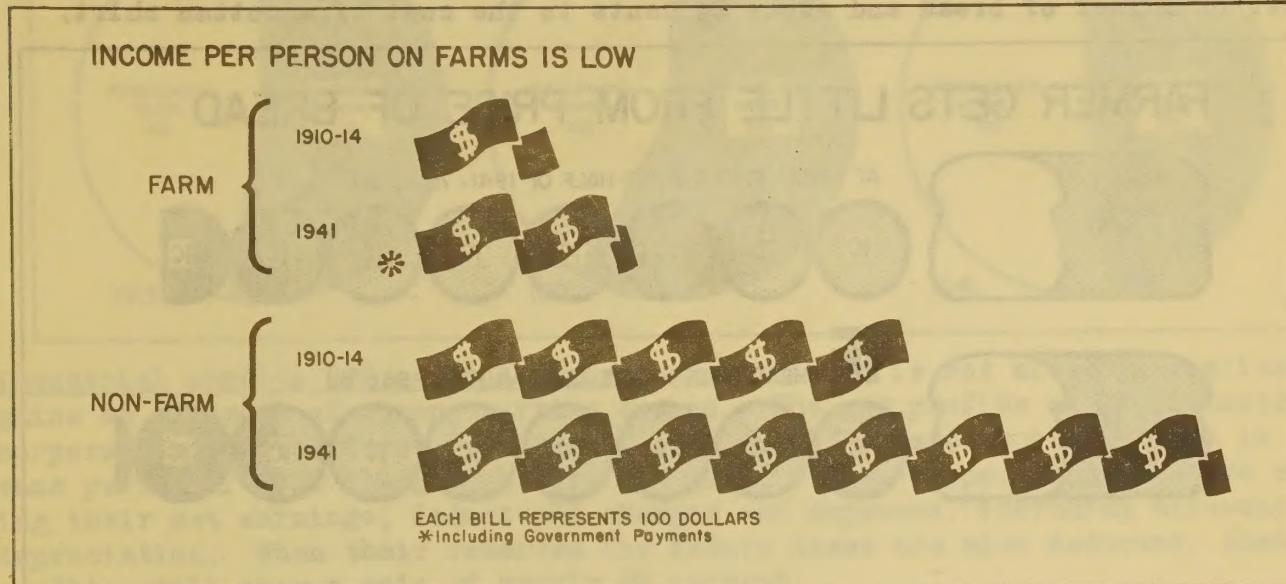
FARM PRICES SUBNORMAL FOR 20 YEARS

INDEX

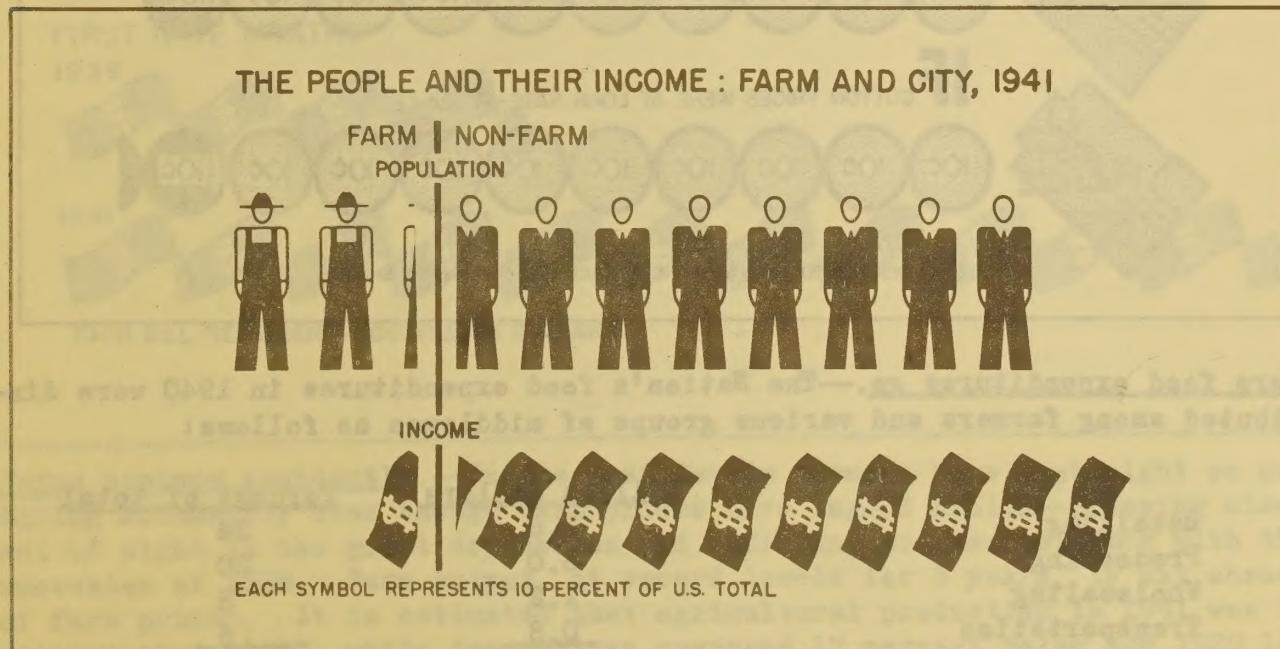
Index Numbers: 1910-1914 = 100



Income lower on farm than in city.--Farm income in 1941 was near the parity level, but this does not mean that the average farmer had as much income as the average person in the city. Parity represents the relationship between farm and city incomes that prevailed in the period 1910-14. In this period, income per nonfarm person averaged \$487, but net income from agriculture per farm person averaged only \$135. Thus, if farm income were at full parity today, the average city person would still have more than 3½ times as much income as the average person on the farm.



Farmers' share of income.--At no time in the past 21 years has the farmers' net share of the national income been as much as 10 percent. Although farm people comprise 23 percent of the population, net farm income from agriculture in 1941 amounted to only about 8 percent of the national income.

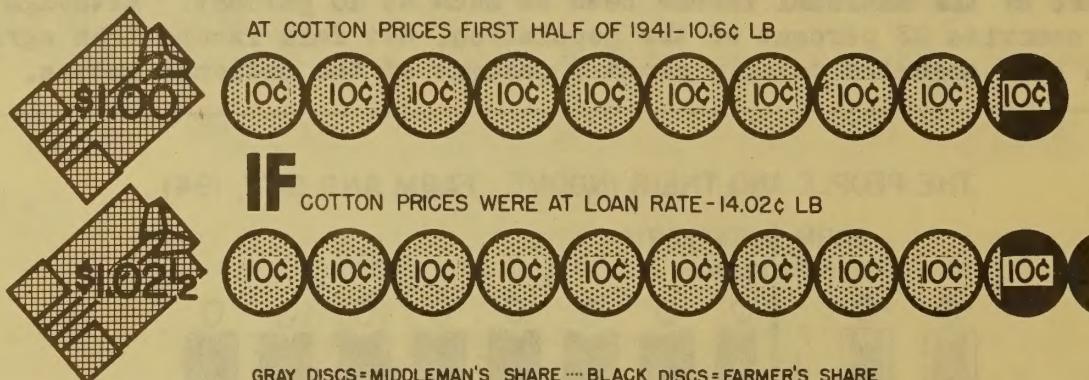


Farmers' share of retail price.--The farmer gets only a relatively small part of what the consumer pays for some commodities. For example, during the first half of 1941 wheat growers received only a little over a cent from a loaf of white bread averaging almost 8 cents at the store, and cotton growers got about 8 cents for producing the material in a dollar cotton shirt--less than the cost of laundering it once. If the prices of wheat and cotton were supported at the level of the loan rates on the 1941 crops (85 percent of parity), it would add only about a third of a cent to the cost of a loaf of bread and about $2\frac{1}{2}$ cents to the cost of a cotton shirt.

FARMER GETS LITTLE FROM PRICE OF BREAD



FARMER GETS LITTLE FROM COTTON SHIRT

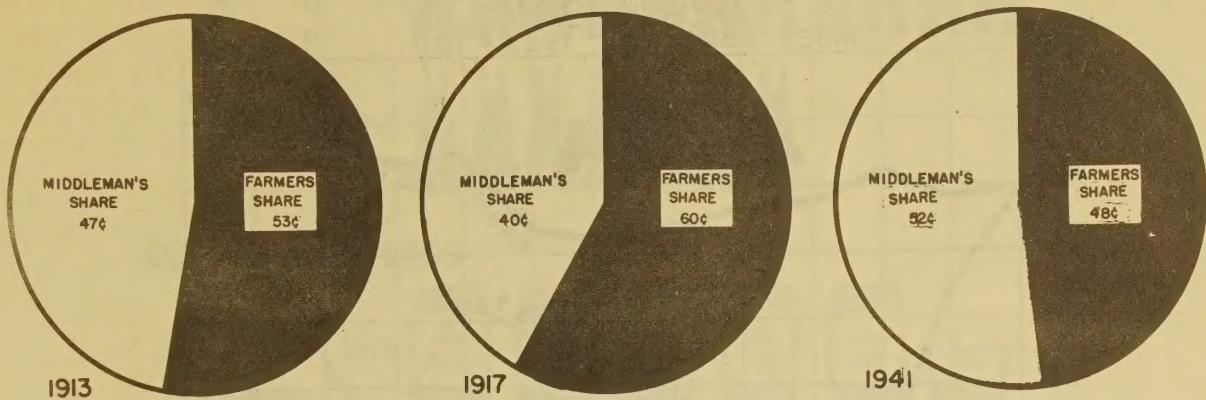


GRAY DISCS=MIDDLEMAN'S SHARE BLACK DISCS=FARMER'S SHARE

Where food expenditures go.--The Nation's food expenditures in 1940 were distributed among farmers and various groups of middlemen as follows:

	Billion dollars	Percent of total
Retailing	3.6	24
Processing	3.0	20
Wholesaling	1.2	8
Transportation	0.8	6
Total marketing	8.6	58
Farmers	6.2	42
Total paid by consumers	14.8	100

FOOD DOLLAR DIVIDED



Industrial profits 179 percent higher.—Agriculture is not alone in realizing gains as a result of strong wartime demand. The net profits of 122 industrial corporations in the first 9 months of 1941 were 179 percent higher than in the same period of 1939 (largely before the war). These corporations, before reporting their net earnings, deduct all charges and expenses, including allowance for depreciation. When their reserves for future taxes are also deducted, their net profits still show a gain of nearly 60 percent.

INDUSTRIAL PROFITS

FIRST NINE MONTHS

1939

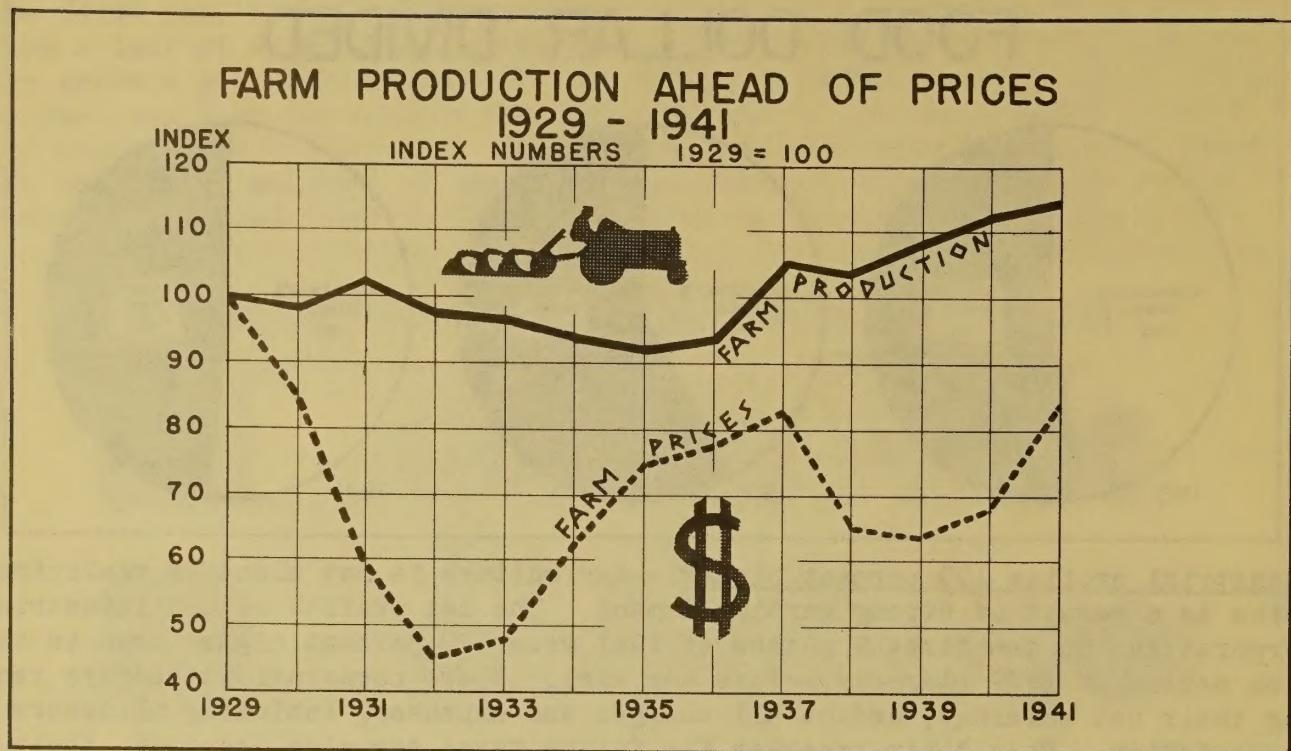


1941



EACH BILL REPRESENTS 100 MILLION DOLLARS

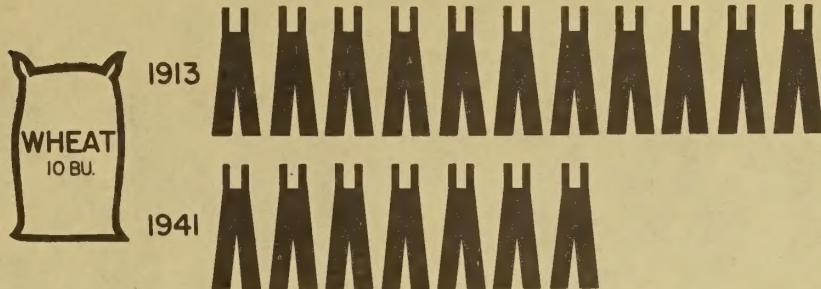
Farms produce abundantly.--In the past decade farmers have kept right on producing abundantly even though farm prices have lagged behind--dropping almost out of sight in the great depression and suffering another set-back with the recession of 1938. Farm output, at record levels for 3 years, is way ahead of farm prices. It is estimated that agricultural production in 1941 was 14 percent above 1929, while farm prices averaged 17 percent below the 1929 level.



Farmers must pay higher costs.—Today farmers need favorable prices and adequate income to carry out three obligations that are now more vital than ever—to keep the soil in condition for continuously abundant production, to maintain Ever-Normal Granary reserves sufficient for any emergency, and to make the production adjustments required in winning the war. Shifting from surplus crops to "victory feeds" may demand important changes in farm operations, sometimes a change in the farm family's entire way of living. It may require new equipment and at times additional stock. It nearly always takes extra feeding at greater cost. Then too, especially for dairy-ing, it means more labor—at a time when farm help can be obtained in many areas only by paying much higher wages.

Price support necessary.—Government measures afford price support for two types of commodities: (1) Basic crops--like wheat--on which the price would otherwise be too low in relation to farmers' costs, and (2) commodities urgently needed in greater amounts to help "win the war and write the peace"--American cheese, for example. To remove Government price support for the first group of farm products would amount to virtual discrimination against several million farmers who would then be selling at depressed prices while buying at advancing prices. Without favorable prices to stimulate the production of the second group of commodities, there would be a risk of dangerous shortage--threatening greatly inflated prices later, impairing the health of Americans, and crippling our fighting strength.

WHEAT BUYS LESS



OVERALLS

COTTON BUYS LESS



NAILS

Favorable farm prices aid consumers.--Consumers--and that includes everybody--have the greatest interest in seeing farmers obtain a return sufficient to produce the food America needs. Ever-Normal Granary reserves and abundant production are the best possible means of preventing inflationary farm prices. Every farmer in America has been contacted by AAA committee-men to bring about the fullest cooperation in the Feed for Freedom Program, which calls for the greatest agricultural output in our history in 1942. By an all-out effort to produce the right amounts of the right feeds, farmers are giving their answer to the problem of threatening inflation. Abundant supplies will protect consumers against excessive prices, and will protect farmers against the price collapse that would certainly follow an inflationary spiral. Agriculture's production goals are more than a means of preventing inflation. The health of America is at stake, and the outcome of the battle for freedom, and the shape of things to come after the war.

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